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MONTANA CONSOLIDATED PLAN ANNUAL ACTION PLAN

STATE DOCUMENTS COLLECTION

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For Plan Year Beginning April 1, 1998
Prepared in Conjunction with the Montana Consolidated Plan Update

Draft Report for Public Review
October 1997

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MONTANA
DEPARTMENT OF COMMERCE

HOME Program
836 Front Street PO Box 200545
Helena, MT 59620-0545

Phone: (406) 444-0092
FAX: (406) 444-9774
TDD: (406) 444-2978

TO: All Interested in the Consolidated Planning Process

FROM: Maureen J. Rude, Administrator
Housing Division

DATE: October 31, 1997

RE: Public Review of the Consolidated Plan Annual Action Plan

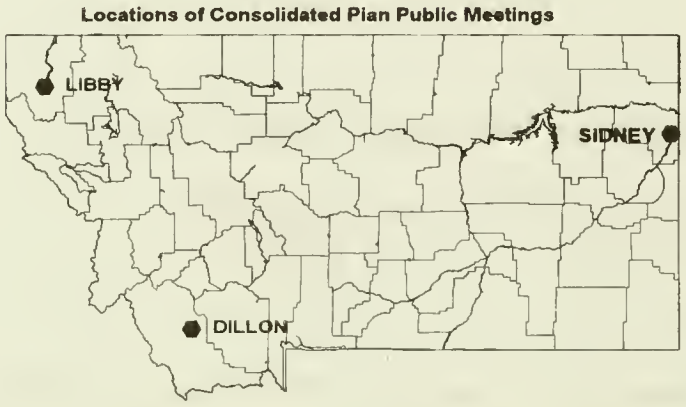
The Montana Department of Commerce has prepared an Action Plan for the plan year April 1, 1998 through March 31, 1999. Montana is required to prepare an annual Action Plan in order to access federal funds for the Community Development Block Grant program (CDBG), the Home Investment Partnerships program (HOME) and the Emergency Shelter Grant program (ESG). The Action Plan is designed to meet statewide strategy requirements focusing on housing and other community development needs of low and moderate income families. A public input meeting was held on March 27, 1997 to solicit comments on the Action Plan from local governments, public agencies and citizens throughout Montana.

Enclosed is an *Introduction* to the Action Plan. The complete Action Plan is available for public review at your local library the first week in November. This date marks the beginning of a public comment period which closes at 5:00 PM on Wednesday, December 31, 1997. Copies of the complete document are distributed to public libraries, because libraries are the best access point and to control printing costs. Please contact your public library if you wish to review a copy of the draft document.

Oral and written comments may be presented at any of the public review meetings scheduled in December. Meetings will be held in buildings that are handicapped accessible. Auxiliary aids for persons with communications disabilities will be provided upon request. Please notify the Department of Commerce (406) 444-0092 one week prior to the public hearing if such aids are requested.

The three scheduled public review meetings will be held at the following locations.

Sidney	December 2 5:30 - 7:30	City Library - 121 3rd Avenue NW
Dillon	December 9 1:00 - 2:00	U.S. Forest Service Center - 420 Barrett
Libby	December 11 9:00 - 11:00	Public Library - 220 West 6th



Written comments are welcome any time before December 31, 1997 to Connie Onstad; Consolidated Plan Coordinator; P.O. Box 200545; Helena, MT 59620-0545, (406) 444-0092.

Montana Department of Commerce also prepared an Annual Performance Report for the most recent Consolidated Plan year ending March 31, 1997. This document reviews the activities, actions and resources Montana planned for and used during the preceding twelve months. To request a copy of the final Annual Performance Report, please contact the Montana Department of Commerce, Housing Division at (406) 444-0092.

INTRODUCTION

Each year Montana must submit a Consolidated Plan (CP) Action Plan to illustrate how community planning and development resources will be utilized to improve communities throughout the State to provide safe and decent housing, a suitable living environment, and economic development opportunities, especially for low-and moderate-income persons and the homeless. The Action Plan for the period beginning April 1, 1998 was developed with the input of citizens and community groups and serves four major functions:

- It is a yearly planning document for the three formula grant programs (described below) in Montana, built upon public participation and input.
- It is the State's application for funds available through the three Department of Housing and Urban Development (HUD) formula grant programs that are applicable to the State of Montana: the Community Development Block Grant (CDBG), the Home Investment Partnerships (HOME), and the Emergency Shelter Grant (ESG) programs.
- It lays out the funding resources expected, the method of fund distribution and the actions the State will follow in implementing HUD programs.
- It provides accountability to citizens for the use of the funds and allows HUD to measure program performance.

Montana chose to support the 1998 Action Plan with four separate documents: *Assisted Living Analysis*, an updated *Economic and Demographic Analysis*, the *Montana Home Mortgage Disclosure Act (HMDA) Analysis*, and a *State of Montana Economic and Demographic Databook*. These documents and other studies, evaluations, and previous Consolidated Plan reports, help individuals, communities, and organizations meet the three basic goals of the CDBG, HOME, and ESG programs and provide useful information for use by the public and legislature. These goals are: to secure decent housing, provide a suitable living environment, and expand economic opportunities.

The CP Action Plan for the period beginning April 1, 1998, provides details to citizens, public agencies, and other interested parties on the amount of assistance Montana expects to receive, the range of activities that may be undertaken, and the general program activities that may be planned in addressing the priority needs.

DEVELOPMENT PROCESS FOR UPDATING THE CONSOLIDATED PLAN

Updating the Consolidated Plan for housing and community development is an on-going process. Throughout this process, the State has tried to improve the delivery of assistance to the people of Montana. The State supports policies and programs that support affordable housing, facilities and services for the homeless, and other non-housing community development activities, such as infrastructure enhancement and economic development. The process consists of several distinct steps, including:

1. Interagency cooperation and coordination;
2. Consultation and outreach with concerned citizens and organizations;

3. Advisory and policy formation functions;
4. Public awareness of the citizen involvement process; and
5. Delivery of program services.

Interagency Cooperation and Coordination

Members of the Consolidated Planning Review Committee, which comprised representatives of the HOME, CDBG, ESG, and MBOH programs, met repeatedly over the plan development process to review the status of the action plan development. In addition, other agencies, such as the Montana Department of Environmental Quality, the Montana Board of Realty Regulation, and the Montana Human Rights Commission were solicited for input on specific topics of the Action Plan and supporting studies.

Housing Division personnel of the Department of Commerce are involved in welfare reform meetings to provide education concerning housing programs, discuss how welfare reform impacts housing, and how housing programs can help meet self sufficiency objectives.

The Housing Working Group will continue to review areas where regulations are adding to the cost of housing. Other areas to address include the legislative process, comprehensive planning and zoning, subdivision standards, disincentivies to building within city limits and financing for infrastructure costs.

The Housing Coordinating Team will continue to facilitate statewide coordination in delivery of housing services with individual housing providers and local organizations. Areas to research in the coming program year include: Impact Fees vs Affordable Housing; financial benefit of capital facilities; and, common applications for housing projects.

Consultation and Outreach with Citizens and Organizations

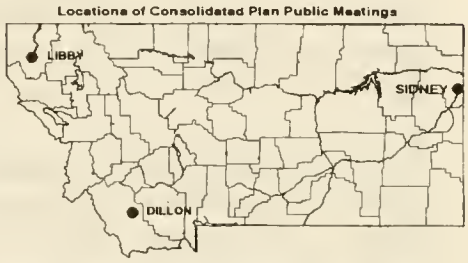
As part of the plan update, many outside agencies and individuals were contacted. Organizations and individuals were encouraged to provide statistics, data, and other information to aid in preparing the Action Plan and related studies. A partial list of these organizations includes Community Housing Resource Boards, Montana Fair Housing, Battered Women's Network, Montana Legal Services, Habitat for Humanity, Native Action, Montana Landlords Association, Montana Association of Realtors, and the Montana Bankers Association.

Advisory and Policy Formation Functions

Throughout the year, MDOC has interacted with other agencies and organizations with a commitment to better develop housing strategies. MDOC has maintained its commitment to inform others of their responsibility to participate in the Consolidated Plan process and to promote affordable housing in local communities. In recent years, MDOC received broad-based support for a "team" approach to address affordable housing needs and formed the CP Steering Committee, a Housing Coordinating Team, and a Housing Working Group. These committees and groups continue to provide direction and input to the Consolidated Plan.

The Housing and Local Government Assistance Divisions of the Department of Commerce are in the process of setting goals and timelines for improving coordination in the area of joint applications, workshops, and reporting formats.

MDOC continues to advise non-profit groups about forming certified Community Housing Development Organizations (CHDOs). Only local units of government (cities, towns, and counties) and CHDOs are eligible to apply for HOME grant funds under the HUD-approved program description. A MDOC-certified CHDO can apply for set-aside funds under the HOME program. Twenty-five nonprofit organizations are currently certified as CHDOs in Montana.



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Delivery of Program Services

The HOME program, through a process of application ranking, will commit project funds during the fall and winter months to provide better alignment with the construction season. HOME application workshops will be held in several cities throughout the state during April and May, 1998. Advance public notification will take place. The HOME application deadline is September 14, 1998, and the Administration Workshop date is mid January, 1999.

The CDBG program, through a process of application and evaluation of proposals, will commit funds to housing, public facilities, and economic development projects. Application workshops for public facilities and housing will be held in several cities with advance notification. The public facilities application deadline is set for May 1, 1998, and the housing application deadline is tentatively set for October 16, 1998. Economic Development applications are received and awarded on an open cycle. A housing Administration Workshop will be held in January, 1999.

The Emergency Shelter Grant program will continue to use HUD funds to improve the quality of existing emergency shelters for the homeless, meet the costs of operating shelters and provide essential social services to help prevent homelessness. Ninety-five percent of the funds received will be allocated to the 10 regional Human Resource Development Councils (HRDCs) in Montana. While the funds available to the ESG program are less than those allocated to Montana's HOME and CDBG programs, the regional organizations are extremely dependent on the assistance received from the yearly allocation.

Specific guidelines that relate to the individual programs for CDBG and HOME may be obtained by contacting the Department of Commerce. The Department of Public Health and Human Services may be contacted to obtain guidelines for the ESG program.

QUANTITATIVE ANALYSIS IN SUPPORT OF THE PLAN

Development of the Action Plan for plan year beginning April 1, 1998, is based in part, on current and past research, studies, and analysis of housing and infrastructure needs. Three additional analyses were conducted during the current planning cycle.

The first analysis was performed in response to the state obligation under the Fair Housing Planning Guide that requires a grantee to conduct an analysis to identify impediments to fair housing choice within the jurisdiction. HUD suggests an analysis of HMDA data for the grantees area of responsibility. The *Montana Home Mortgage Disclosure Act (HMDA) Analysis* for the years 1993, 1994, and 1995 has been completed. The HMDA analysis examines home loan applications made over the three year period and reasons for home loan denials.

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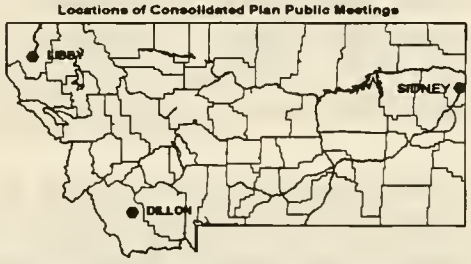

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RESOURCES

FEDERAL RESOURCES EXPECTED

Community Development Block Grant Program (CDBG)

The CDBG program is administered by the Local Government Assistance Division and the Economic Development Division of the Montana Department of Commerce. For Plan Year beginning April 1, 1998, the state estimates receiving $8,000,000 in federal CDBG funds. Of these dollars, a portion will be allocated for economic development projects, which are administered by the Economic Development Division. Another portion will be allocated for public facility projects and for housing and community revitalization projects.

The MDOC Economic Development Division also manages an EDA/CDBG Revolving Loan Fund. Once loan repayments reach $100,000, funds will be available to lend to communities.

Home Investment Partnerships Program (HOME)

The HOME program is administered by the Housing Division. Funds are estimated at $3,374,000.

Emergency Shelter Grant Program (ESG)

The Intergovernmental Human Services Bureau of the Montana Department of Public Health and Human Services (DPHHS) anticipates that $273,000 will be made available for the ESG program.

Low Income Housing Tax Credit Program (LIHTC)

The Low Income Housing Tax Credit Program is administered by the Montana Board of Housing. The Board receives authority to allocate the tax credit through the Internal Revenue Code, based on $1.25 per capita per year. Annual authority is estimated at $1.1 million.

STATE AND OTHER RESOURCES EXPECTED

Department of Natural Resources and Conservation (DNRC) Renewable Resources Development Program

The program provides grant and loan funds to governmental entities for renewable resource projects that preserve, conserve, manage, and develop renewable resources. The program is administered by the Resource Development Bureau of the Montana Department of Natural Resources and Conservation (DNRC). Grant funding is limited to $100,000, and loan funds are available to the limit of the borrower's bonding authority. Interest subsidies for large loans are available subject to legislative approval. The Renewable Resource Grant Program has $2.0 million available for grant funding each biennium. Loan authority is currently $90 million.

Applications are due May 15, 1998. Emergency Grants of $25,000 are available on an open cycle for projects that, if delayed, will result in substantial harm to public health or the environment.

Treasure State Endowment Program (TSEP)

The Treasure State Endowment Program (TSEP) is a state funded grant and loan program designed to assist local governments in obtaining affordable financing for constructing or repairing drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges. Approximately $7.6 million is available for grants to local governments for the state FY 2000-01 biennium.

The Community Technical Assistance Program (CTAP)

The Community Technical Assistance Program (CTAP) is a state program administered by MDOC to provide technical assistance to local governments and development groups on community planning, development, and finance issues and options. Services available from CTAP include individual local government planning and development assistance, public works financing assistance, and general community research assistance. CTAP also maintains a computerized public works money database to assist local governments with identifying funding options for infrastructure projects. The CTAP program also manages county land planning funds which are distributed to Montana county governments providing small grants for comprehensive planning, economic development planning, and capital improvements planning. These grant funds total approximately $198,693 annually for 56 counties.

MONTANA BOARD OF HOUSING PROGRAMS (MBOH)

The mission of MBOH is to alleviate the high cost of housing for persons and families below median income. The funds to operate the programs are generated through either the sale of tax-exempt bonds or administrative fees. Board programs fall into two categories: home ownership and multifamily programs. An additional program assists the elderly. Funds made available by the Board are dependent upon remaining available funds, and the prevailing market interest rates. If interest rates rise, the MBOH will likely issue additional bonds, as rates will be significantly below market rates. If interest rates fall, the Board likely will not conduct bond activities unless below-market rates are achievable.

ESTIMATED FUNDING SOURCES

Entitlement Grant (includes reallocated funds)			
	CDBG	**$8,447,000**	
	ESG	**$273,000**	
	HOME	**$3,374,000**	
	HOPWA	**$0**	
Total			**$12,094,000**
Prior Years' Program Income NOT previously programmed or reported			
	CDBG	**$0**	
	ESG	**$0**	
	HOME	**$0**	
	HOPWA	**$0**	
Total			**$0**
Reprogrammed Prior Years' Funds			
	CDBG	**$0**	
	ESG	**$0**	
	HOME	**$0**	
	HOPWA	**$0**	
Total			**$0**
Total Estimated Program Income			**$0**
Section 108 Loan Guarantee Fund			**$0**
TOTAL FUNDING SOURCES			**$12,094,000**
Other Funds			**$0**
Submitted Proposed Projects Totals			**$0**
Un-Submitted Proposed Projects Totals			**$0**

ACTIVITIES
METHOD OF FUNDS DISTRIBUTION

Community Development Block Grant

Fund distribution for the CDBG **Housing and Community Revitalization** category is based on an annual competition held in the fall. The FFY 1998 deadline date will be October 16. Eligible applicants are limited to general purpose local governments: towns and cities under 50,000 population, and counties. The maximum grant request for a Housing and Community Revitalization project is $400,000. Existing grantees must significantly draw down their existing funds before they are eligible to apply for additional program funds.

The **Public Facilities** category is also based on an annual competition. The deadline date for the Plan Year will be May 1, 1998. General purpose local governments: towns and cities under 50,000 population and counties are eligible applicants. Each local government may apply for one housing project and one public facility project each program year. The maximum grant request for a public facility project is $400,000. Grantees must significantly draw down their existing funds before they are eligible to apply for additional program funds.

The **Economic Development** component of the CDBG Program expects to receive approximately $2.5 million, which is one-third of the annual allocation to the State of Montana. Eligible applicants are local governments, who in turn loan these funds to for-profit businesses who agree to create jobs for low and moderate income persons. Applications are accepted on a continuous basis as long as funding is available for each program year. The maximum funding amount is $500,000 per local government in a program year. Communities can reapply for funding throughout the program year until they have reached the maximum amount to a local government of $500,000. The applicant business must prepare a business plan and meet certain thresholds, including providing a 1:1 dollar match. The project application is then reviewed by Department staff and a loan review committee, which makes the recommendation to the Director, who makes the final funding decision.

Treasure State Endowment Program (TSEP)

Eligible applicants for the **TSEP** program include any incorporated city or town, county, or consolidated government, and county or multi-county water, sewer, or solid waste management districts. Matching grants are available for up to 50 percent of eligible project development costs. Grants and debt service subsidies are limited to $500,000 maximum.

HOME Program

Program funds for **HOME** are distributed through a competitive process of grant applications with a deadline date of September 14, 1998. Eligible applicants include general purpose local governments (counties, incorporated cities and towns, consolidated city-county governments), and Community Housing Development Organizations (CHDOs) certified by MDOC. The maximum request for a HOME project is $400,000. CHDOs receive a minimum 15 percent set-aside of

each fiscal year allocation. Existing grantees are eligible to repply for an additional HOME grant if:

- the grantee is in compliance with the project implementation schedule contained in the HOME contract with MDOC;
- there are no unresolved audit, monitoring, or performance findings for any previous HOME grant awards to the applicant; and
- 75 percent of the previous HOME grant has been spent down by the application deadline date.

MBOH Programs

The Single Family Program is ongoing based on availability and market interest rates. The Multifamily Risk Sharing Program issued a Request for Proposal beginning July 19, 1994, and applications are accepted on a monthly basis. The Reverse Annuity Mortgage Loan Program for elderly persons is ongoing. MBOH allocates Low Income Tax Credits through its qualified allocation plan at three set deadlines per year. For profit and non-profit entities are eligible. Selection criteria include projects serving low-income tenants, projects located in distressed or hard-to-develop areas, projects meeting the area's housing needs and priorities, projects servicing tenant populations with special housing needs, and projects in areas with long waiting lists for assisted housing.

Emergency Shelter Grant Program

The 10 regional Human Resource Development Councils (HRDC) receive 95 percent of the funds allocated under this program. Funds are distributed based on a formula allocation contained in ARM 53-10-502 pertaining to the Federal Services Block Grant. This allocation reflects areas of poverty and general population.

LEVERAGING AND MATCHING FUNDS

The CDBG Economic Development (ED) Program is a major player in economic development financing in Montana. Economic development projects have leveraged private lender's funds and federal funds, the U.S. Small Business Administration's SBA 7A and 504 programs, Economic Development Administration funds, and the Rural Development Administration's Programs. Economic development projects have also leveraged programs under the Montana Board of Investments, the Montana Science and Technology Alliance Program, the Montana Growth through Agriculture program, and the Job Investment Loan program. For matching funds, the Program requires one non-CDBG dollar for each dollar of nonadministrative CDBG funds requested. In 1995 and 1996, CDBG ED funds of approximately $5 million have leveraged approximately $22 million in private, state and federal funds.

In the public facility category of the CDBG program, local governments must provide at least a 25% match of total CDBG funds requested. No match is required for CDBG housing projects.

HOME funds used for project activities must be matched at 25 percent. Due to grantees reporting match amounts in excess of the normally required amount, MDOC reduced the grantee match portion to 5% last year. A match requirement will remain and is anticipated to be between 5-12.5% for this program year. Based on last year's activities, the HOME program expects to incur a match liability of approximately $500,000 with a leverage amount of approximately $1.5 million. Each year approximately $1 million of Board of Housing tax exempt bond funds count toward the total state match obligation. Due to the success of leveraging bond funds with HOME dollars, the State has an excess amount of match in this financing arena. Based on recent HOME applications, the ratio of HOME funds leveraged with other public and private funds is 1:3.

METHOD OF DISTRIBUTION

CDBG

	Min Amt.	Max Amt.
Competitive	0	8,093,590
Formula	0	0
Retained for State Project	0	0
Non-Competitive	0	0
State Admin of Program	0	353,410

ESG

	Min Amt.	Max Amt.
Competitive	0	0
Formula	0	273,000
Retained for State Project	0	0
Non-Competitive	0	0
State Admin of Program	0	0

HOME

	Min Amt.	Max Amt.
Competitive	0	3,234,842
Formula	0	0
Retained for State Project	0	0
Non-Competitive	0	0
State Admin of Program	0	138,158

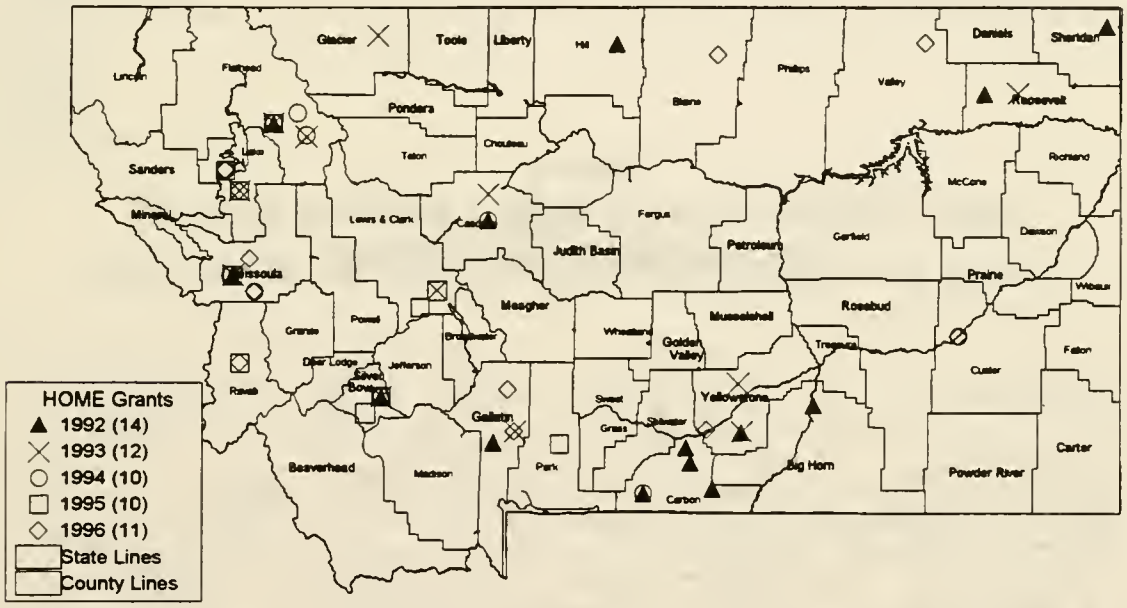
HOPWA

	Min Amt.	Max Amt.
Competitive	0	0
Formula	0	0
Retained for State Project	0	0
Non-Competitive	0	0
State Admin of Program	0	0

GEOGRAPHIC DISTRIBUTION OF FUNDS

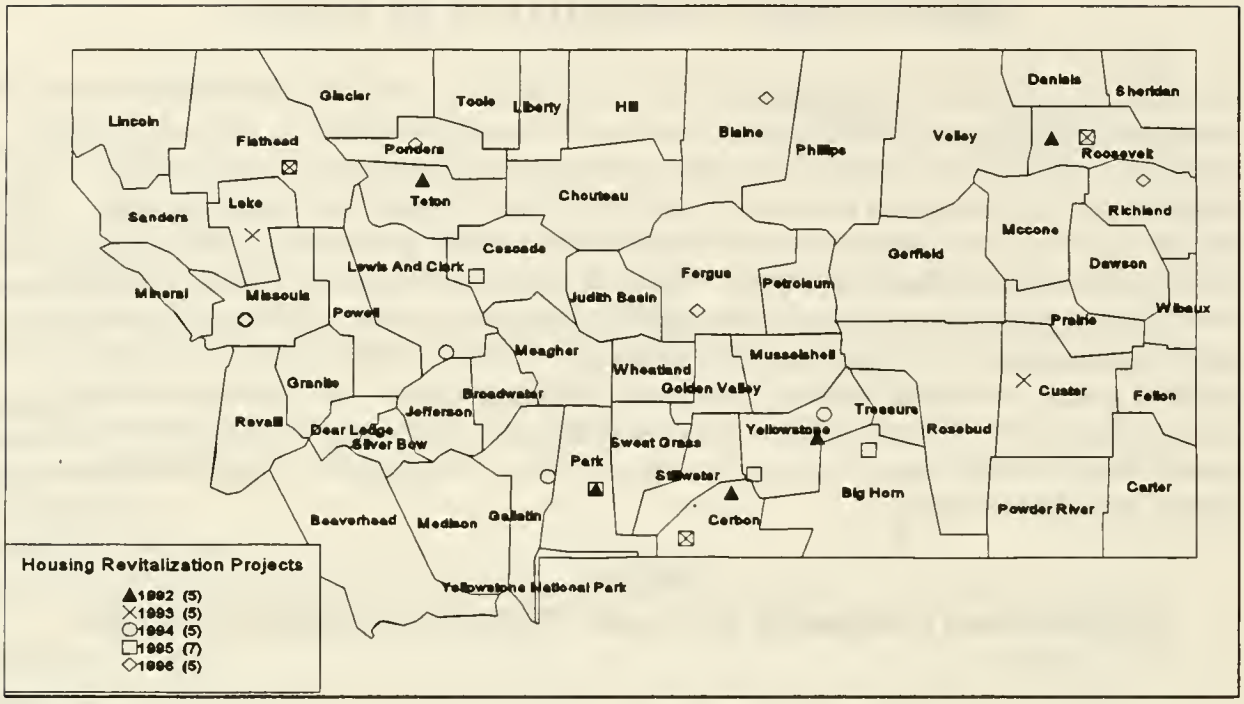
Housing and community development needs across Montana vary widely. The extreme diversity in available housing, age of housing stock, and overall range in population density complicate the assessment of the type and degree of housing and community development needs. MDOC programs are implemented on a statewide competitive basis. Entities receiving CDBG and HOME funds must have previous allocations substantially drawn down and all outstanding monitoring issues resolved before they are eligible to apply for additional program funds. This method has been shown to disburse funds equitably throughout the state, allowing all groups an equal chance to apply for funds. Together, all funding methods, whether through a formula, as in the ESG grants, or competitive, as in CDBG and HOME grants, tend to be widely distributed throughout the state. In order to better view the geographic dispersion of funding activities, by general funding activity type, several geographic maps have been prepared. Past HOME grant awards are in Map 2, below.

MAP 2
HOME GRANT AWARDS IN PLAN YEARS 1992 THROUGH 1996

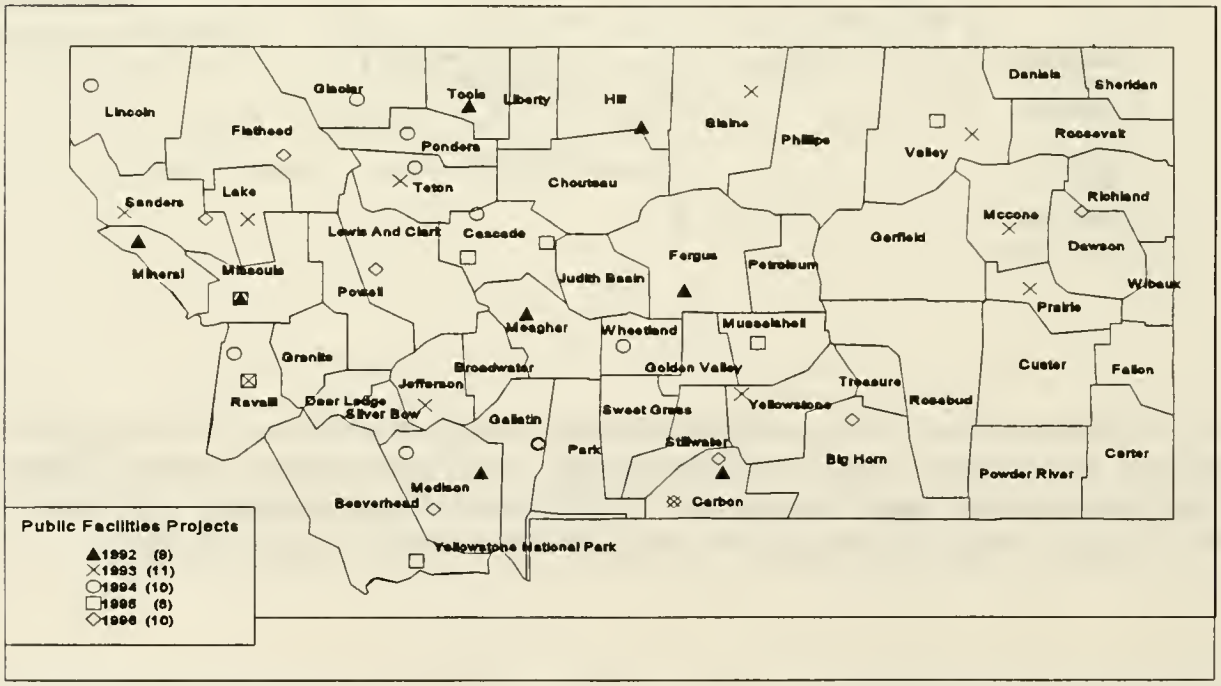


The CDBG Housing and Community Revitalization program grant awards for 1992 through 1996 plan years, are presented in Map 3, on the following page. Map 4 presents similar data for the CDBG Public Facility awards. Map 5 illustrates the CDBG Economic Development grant awards for the same five years. Map 6 presents the Emergency Shelter Grant areas of program activity.

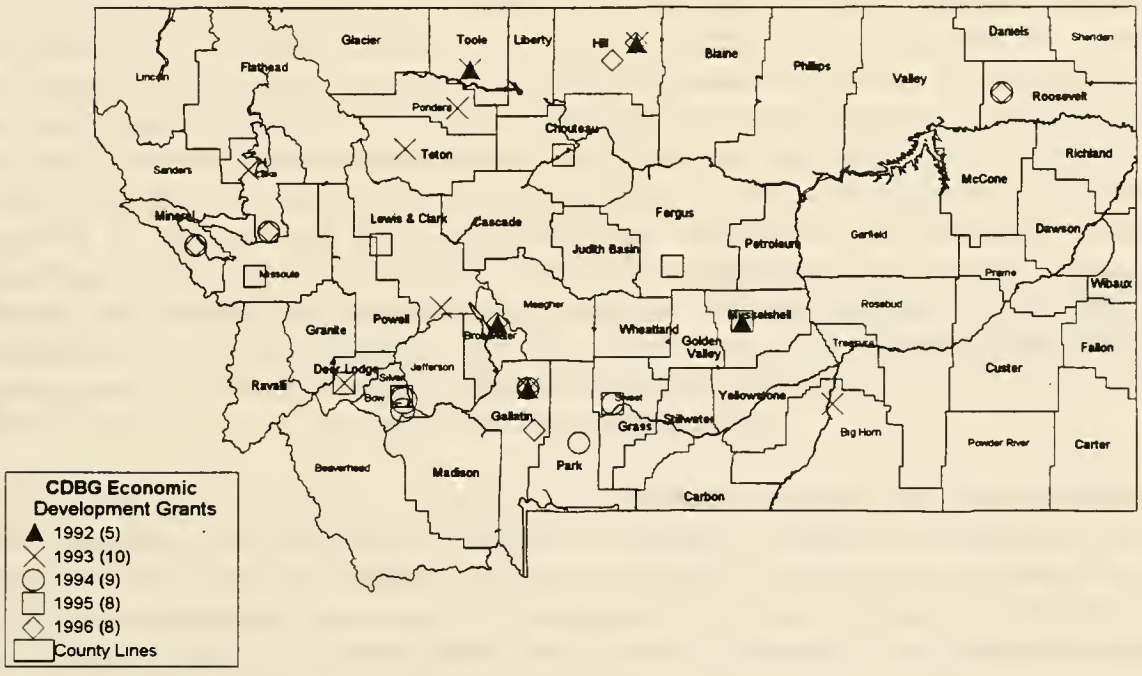
MAP 3
CDBG HOUSING GRANT AWARDS IN PLAN YEARS 1992 THROUGH 1996



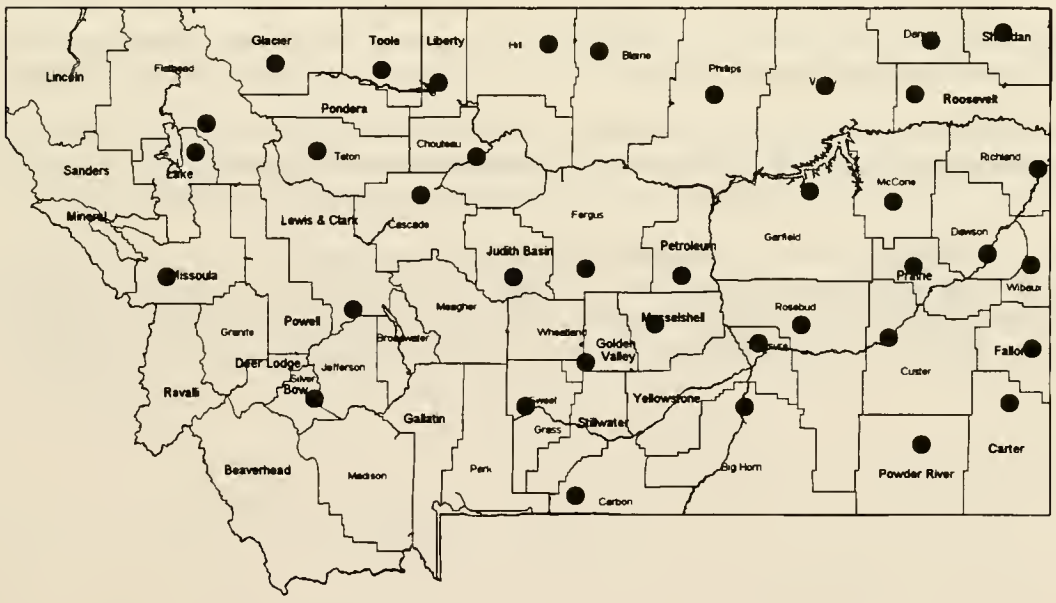
MAP 4
CDBG PUBLIC FACILITY GRANT AWARDS IN PLAN YEARS 1992 THROUGH 1996



MAP 5
CDBG ECONOMIC DEVELOPMENT AWARDS IN PLAN YEARS
IN PLAN YEARS 1992 THROUGH 1996



MAP 6
ESG PROGRAM ACTIVITIES IN PREVIOUS PLAN YEAR



HOMELESS AND OTHER SPECIAL NEEDS ACTIVITIES

Breaking the long-term cycle of homelessness, tempered by short-term shelter, cannot be accomplished by building more shelters or facilities alone. Real help is enabling the homeless to rely on themselves. Besides a lack of shelter, homelessness involves a variety of unmet physical, economic, and social needs. A comprehensive, coordinated system of homeless assistance, is comprised of a wide array of services, tools, and opportunities for the homeless. Homeless services will include a prevention strategy and help the homeless in stages—to take them from an emergency shelter to permanent housing. The first stage involves emergency shelters. Here the homeless are provided with immediate shelter and assessed in order to identify an individual's or family's needs. The second stage offers transitional housing and necessary social services. Included in these services are mental health and substance abuse counseling, vocational rehabilitation, education, family support, child care, independent living skills training, job training, and placement, and employment opportunities where the homeless can both acquire and put to use new work skills. The final stage is permanent housing or permanent supportive housing arrangements. While all three stages may not be needed by everyone, the community will have them available as part of the coordinated, comprehensive plan.

A 1993 study for the Department of Social and Rehabilitation Services[1] lists recommendations on how to improve the conditions of the homeless population. It charges the Department of Public Health and Human Services (DPHHS) with the responsibility of carrying out the provisions of the 1990 National Affordable Housing Act in formulation of homeless policies and strategies. Since the unsheltered homeless population shares similar needs with the rest of the homeless population, these recommendations are valid for both populations. These recommendations include:

1. Provide for those who are homeless in Montana; identify the causes of homelessness throughout the communities in Montana; develop inventories of available services; and design action plans in emergency needs, permanent housing needs, and design strategies to prevent homelessness, of populations with special needs.

2. More coordination among the state and local providers of care for the homeless is needed including additional training, workshops, etc. The provision of outreach programs is also needed.

3. DPHHS should develop a task force or coalition to generate on-going recommendations addressing the needs of the homeless population in Montana. This task force should include representatives from various groups and organizations who deal with the homeless.

4. DPHHS should devise a comprehensive state plan for addressing the needs of Montana's homeless population. This plan should assess the number, the needs, various homeless groups with special needs, and an evaluation of available federal programs and funding. Such a strategy would need to utilize the available resources and help mobilize the task force in its effort to combat homelessness.

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[1] *The Sheltered Homeless Population of Montana*, 1993.

ACTIONS FOR UPCOMING PLAN YEAR

No single approach or unique priority fits all regions of Montana equally well. Acceptably addressing the range of severe needs, while allocating resource equitably, makes for a complicated housing and community development policy agenda. Nevertheless, Montana is committed to moving forward with a concrete set of objectives. These are:

Housing:

- Relieve the shortage of available housing stock;
- Increase the stock of affordable rental units, especially assisted units;
- Promote resources available to build affordable housing units;
- Increase ability of low and moderate-income households to buy homes;
- Increase resources to finance housing maintenance and improvements;
- Simplify housing assistance programs;
- Increase accessibility of Montana's housing stock;
- Increase energy efficiency in Montana's housing stock;
- Decrease housing environmental hazards, such as lead-based paint or asbestos;
- Continue ability of MDOC to provide technical assistance;
- Increase the supply of affordable rental units and for-purchase homes;
- Affirmatively further fair housing: implement actions identified in the Analysis of Impediments to Fair Housing; and,
- Evaluate applications from eligible participants based on identified needs of the community which may include combination of job training or other welfare reform goals, along with housing goals.

Homelessness:

- Secure available resources for persons requiring supportive and transitional services;
- Assist persons requiring supportive and transitional services to achieve permanent housing;
- Assist in meeting the supportive services needs for the homeless;
- Assist in increasing capacity and counseling services for runaway youth;
- Assist in securing stable funding sources for existing homeless facilities and services;
- Continue to support statewide continuum of care strategy to ensure emergency, transitional and permanent housing.

Economic Development:

- Encourage viable economic development projects that promote investment of private capital, diversification of industries, expansion of local tax bases, and creation of permanent, year-round jobs principally for low and moderate-income Montanans;
- Encourage projects that will involve basic economic activities, including manufacturing, import substitution activities, or the distribution of Montana-made goods;
- Encourage projects involved in processing, refining, and marketing of Montana's natural resources;
- Continue to expend the annual CDBG ED allocation and access other sources of funds for maximum financial leverage;
- Allow local communities to identify their own needs and develop their own initiatives; and
- Assist the businesses and communities in achieving prosperity.

Infrastructure and Public Facilities:

- Examine results of the last two years of infrastructure inventories and analysis;
- Identify available level of resources necessary to address these needs over next biennium;
- Continue to provide technical assistance to communities; and,
- Fully award all CDBG public facility funds.

PROGRAM SPECIFIC REQUIREMENTS

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Montana administers nonentitlement Community Development Block Grant (CDBG) funds through the Community Development Bureau of MDOC. The CDBG program was established by the Federal Housing and Community Development Act of 1974 and has been administered by the state since 1982. The CDBG program is a federally funded competitive grant program designed to help communities of less than 50,000 population with their greatest community development needs. Eligible applicants are limited to general purpose local governments. All projects must principally benefit low and moderate income persons.

The primary objective of the CDBG program is to develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities for persons of low and moderate income. Seventy percent of the funds must be used for activities that benefit low and moderate income persons.

The basic categories for local community development projects are housing, public facilities, and economic development. Some of the activities that can be carried out with CDBG funds include the acquisition of real property; rehabilitation of residential and non residential properties (including special facilities for the handicapped); construction of new, affordable housing (when sponsored by a non-profit organization); provision of public facilities and improvements such as water, sewer, or solid waste facilities or senior citizen centers; and assistance to for-profit businesses to promote economic development activities that will result in the creation or retention of jobs.

Method of Distribution
Grant Ceilings

The total amount of CDBG funds requested by an applicant (or joint applicants) must not exceed the following ceilings:

Type of Grant Ceiling	
Housing and Community Revitalization	$400,000
Public Facilities	$400,000
Economic Development	$500,000

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within 24 months from the date of the announcement of grant award by the Department. There are no minimum amounts required for CDBG requests, although requests under $100,000 generally are discouraged.

Application Deadlines

Type of Grant	Deadline (tentative)
Public Facilities	May 1, 1998
Housing and Community Revitalization	October 16, 1998
Economic Development	Open Cycle

Applications must be delivered or postmarked on or before the deadline date. Applications for economic development assistance can be made at any time.

Economic Development Ranking Criteria

For-profit businesses applying to the CDBG program under the sponsorship of a local government must meet certain thresholds to be considered for funding. These are listed in the CDBG ED Program's Application Guidelines. In addition, the community and business must demonstrate the following:

1. A quantifiable funding gap exists;
2. Management capacity;
3. Realistic historical and projected financial earnings;
4. Adequate security;
5. A sound, well-reasoned proposal;
6. Firm commitment of funds from private or public sector lenders;
7. Readiness to proceed;
8. The project will support itself over time; and
9. The level of CDBG assistance is appropriate in relation to the public benefit expected from the project.

Public Facilities Ranking Criteria

Public facility applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points:

1. Needs Assessment and Project Selection	125 Points
2. Need for Project	100 Points
3. Project Concept and Technical Design	100 Points
4. Community Efforts	100 Points
5. Need for Financial Assistance	150 Points
6. Benefit to Low and Moderate Income	100 Points
7. Implementation and Management	125 Points
TOTAL:	800 Points

Housing And Community Revitalization Category Ranking Criteria

Housing and community revitalization applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points, based on the following ranking criteria:

1.	Needs Assessment and Project Selection	125 points
2.	Need for Project	150 points
3.	Project Strategy and Impact	150 points
4.	Community Efforts	100 points
5.	Benefit to Low and Moderate Income	150 points
6.	Implementation and Management	125 points
	TOTAL:	800 points

Brief Description of the CDBG Program Categories

1. Housing

For housing, CDBG funds are most often used to make low or no interest loans or grants to low- and moderate-income families to allow them to rehabilitate homes in substandard condition. CDBG funds can also be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit organization. Housing projects can include site improvements to publicly owned land or land owned by a nonprofit organization to be used for new housing.

Transitional (temporary) housing is eligible under the public facilities category. The acquisition of sites for new housing and conversion of existing nonresidential structures for residential use are also eligible CDBG housing activities.

Over the past 13 years, CDBG has funded 63 housing projects that equal more than $25 million in CDBG funds alone.

2. Economic Development Projects

For economic development, Montana's CDBG program is designed to stimulate the economic development activity by assisting the private sector, in order to create or retain jobs for low and moderate income persons. CDBG funds are intended to be used in situations where a funding gap exists, or alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing and those of other federal programs such as the Economic Development Administration and Small Business Administration. The program is also encouraged to complement the Department of Commerce programs for business assistance administered by the Economic Development Division, such as the Montana Board of Investments, and the Montana Science and Technology Alliance, and the Job Investment Loan Program.

The CDBG economic development program is designed to assist businesses by making appropriate long-term, fixed-rate financing available to them at reasonable interest rates, and by providing public improvements, such as sewer, water, and sidewalks, in support of economic development activities.

Typical eligible activities that fall within the CDBG economic development category include: land acquisition; public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads; loans for acquisition, construction, rehabilitation, or installation of commercial and industrial buildings, facilities, equipment, or working capital;

employee training; and grants or loans from communities to nonprofit entities.

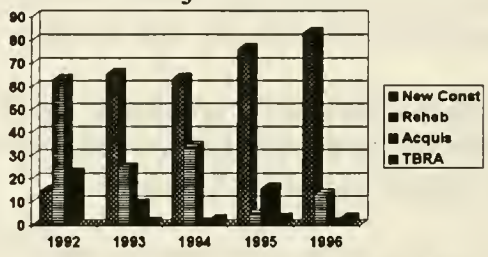
3. Public Facility Projects

For public facility projects, CDBG funds have been used to upgrade or undertake the new construction of dozens of community water and sewer systems and other public facilities. During the last several years, communities have also utilized the CDBG program to construct or rehabilitate senior citizen centers, centers for abused or runaway youth, Head Start centers, assisted living facilities, and public nursing home facilities.

HOME INVESTMENT PARTNERSHIPS PROGRAM

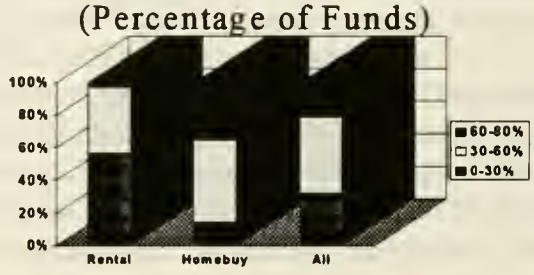
The HOME program, administered by the Housing Division, expands the supply of decent, affordable housing for low- and very low-income families; builds state and local capacity to design and carry out an affordable housing program; provides financial and technical assistance to participating jurisdictions, including model program development; and strengthens partnerships among all levels of government and the private sector in the development of affordable housing.

Fiscal Year Commitments By Housing Activity as a % of Total Project Funds



The program allows a wide range of eligible activities, including tenant-based rental assistance (TBRA); assistance to home buyers; property acquisition; new construction; reconstruction, relocation, or demolition; moderate or substantial rehabilitation; site improvements; and other activities to develop non-luxury housing.

Beneficiaries By Area Median Income (Percentage of Funds)



Match Requirement

Required contributions, or "match," for grantee applicants ranges from 5 percent to the federally mandated 25percent of non-administrative HOME funds expended. Any balance of the match requirement is provided by MDOC funds and/or utilizing previous years' excess match. The matching funds must be used for HOME-assisted or HOME-qualified projects. As a general rule, investments which are contributions from the State/local government or private sources will be eligible to qualify as a matching contribution. Eligible sources of match include: cash; the value of foregone interest, taxes, fees or charges by both public and private entities; value of donated land or real property; investments in on- or off-site improvements, bond financing, donated construction materials and voluntary labor. Federal funds (including CDBG funds) and owner financing/equity are ineligible match sources.

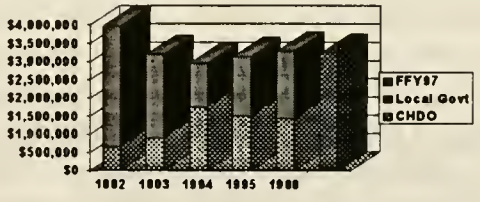
Guidelines for Recapture or Resale

Based on the amount of HOME dollars invested, home ownership programs are subject to a period of affordability. In addition, sale of the property by the home buyer during the period of affordability is subject to resale restrictions or a possible recapture of the HOME subsidy. The resale provision provides for the initial property to remain affordable for the period of affordability. The subsequent purchaser must be low income and occupy the property as principal residence. The seller of the initial property will receive a fair return on his investment, but the unit must also be "affordable" to the new purchaser. This can be accomplished with a deed restriction with the right of first refusal or purchase. The HOME investment subject to recapture is based on the amount of HOME assistance provided and the affordability period on which it is based. Repayment of HOME proceeds at transfer of the property must be reinvested to assist another home buyer to obtain a home. The purchaser must also be a low-income household and occupy the property as their principal residence. There are three methods of recapture that are acceptable:

1. Recapture the entire amount of the HOME investment, except that the amount may be reduced prorata based on the time the homeowner has owned and occupied the unit measured against the required affordability period.
2. The net proceeds may be divided proportionally if the funds are not sufficient to recapture the full HOME investment plus enable the homeowner to recover a portion of his investment.
3. If agreed upon, the program may allow the homeowner to recover all of his investment before recapturing the HOME investment.

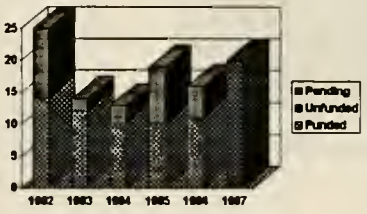
All cities (except Billings and Great Falls), urban counties, contiguous units of local government, and CHDOs (Community Housing Development Organizations, certified nonprofit organizations) are eligible to apply for HOME funds under the program administered by MDOC. A formula allocation of federal funds is distributed to each state and eligible city. MDOC, the City of Billings, and the City of Great Falls are the only participating jurisdictions in the state. Fifteen percent of funds are set aside for programs owned, developed, or sponsored by CHDOs. HOME funds are distributed on a competitive basis. All HOME funds must assist families below 80 percent of the median income.

Funding Level/Distribution



HOME Application Deadline: **September 14, 1998**
HOME Award Date: **December 7, 1998**
HOME Administration Workshop: **January, 1999**

HOME APPLICATIONS/FUNDED



EMERGENCY SHELTER GRANT PROGRAM

Emergency Shelter Grants (ESG), administered by the Intergovernmental Human Services Bureau, are to help improve the quality of existing emergency shelters for the homeless, make available additional shelters, meet the costs of operating shelters, and provide essential social services to help prevent homelessness. The grants are 100 percent funded by the U.S. Departments of Health and Human Services and Housing and Urban Development. The 10 Regional Human Resource Development Councils (HRDCs) receive 95 percent of the grant funds. The remaining 5 percent are retained by the Department of Health & Human Services for administrative costs. The grants fund the renovation, rehabilitation, or operating costs of homeless shelters, and the provision of follow-up and long-term services to help homeless persons escape poverty. Shelters assisted and services delivered are determined by individual HRDCs. These funds are small in comparison to Montana's HOME and CDBG funding allocations.

The Montana Emergency Shelter program distributes funds based upon a formula allocation. The amount of funds allocated is determined on the basis of poverty and general population in each service area, relative to the poverty and general population of the entire state. Allocations of HUD ESG funds are as follows:

Funds are distributed to each Human Resource Development Council. All HRDCs will submit work plans, budgets, and reports outlining which of the allowable activities will be undertaken, how matching funds will be realized and a certification of local approval verifying that budgets and work plans have been reviewed and approved by a representative of the respective jurisdiction. The Department of Public Health and Human Services will execute contracts with all HRDCs within thirty (30) days of HUD approval of this application.

Actual project proposals for ESG funds have included the renovation of a building (asbestos removal and lead abatement) in order to use it as a transitional facility. Funds are also used to provide medical services to homeless individuals and families, to pay for hotel/motel rooms for homeless individuals, to pay rent or mortgages for homeless families, and to provide support groups, individual counseling, referral, advocacy and transport to homeless persons. Shelters have used funds to pay rent or mortgages, pay utilities, buy furnishings, and pay for maintenance and operational costs of their facilities. ESG funds are also used to pay security deposits on rent or utilities (or first month's rent) to enable homeless families to move into their own dwellings. The state has elected to allocate its funding to the non-profit HRDCs.

CPS TABLE A
HOUSING PRIORITY NEEDS SUMMARY TABLE
STATE OF MONTANA - FISCAL 1998

PRIORITY HOUSING NEEDS (households)			Priority Need Level High, Medium, Low, No such need			ESTIMATED UNITS	ESTIMATED DOLLARS NEEDED TO ADDRESS	ANTICIPATED DOLLARS AVAILABLE TO ADDRESS
			0-30%	31-50%	51-80%			
Renter	Small Related	Cost Burden > 30%	M	M	M	660	$301,000,000	
		Cost Burden > 50%	M	M	M			
		Substandard	M	M	M			
		Overcrowded	M	M	M			
	Large Related	Cost Burden > 30%	M	M	M			
		Cost Burden > 50%	M	M	M			
		Substandard	M	M	M			
		Overcrowded	M	M	M			
	Elderly	Cost Burden > 30%	M	M	M			
		Cost Burden > 50%	M	M	M			
		Substandard	M	M	M			
		Overcrowded	M	M	M			
	All Other	Cost Burden > 30%	M	M	M			
		Cost Burden > 50%	M	M	M			
		Substandard	M	M	M			
		Overcrowded	M	M	M			
Owner		Cost Burden > 30%	M	M	M	480		
		Cost Burden > 50%	M	M	M			
		Substandard	M	M	M			
		Overcrowded	M	M	M			
TOTAL PRIORITY HOUSING NEEDS			M	M	M	1,140	$301,000,000	$6,069,186

CPS TABLE B
HOMELESS PRIORITY NEEDS SUMMARY TABLE
STATE OF MONTANA - FISCAL 1998

PRIORITY HOMELESS NEEDS	Priority Need Level High, Medium, Low, No such need			ESTIMATED DOLLARS NEEDED TO ADDRESS	ANTICIPATED DOLLARS AVAILABLE TO ADDRESS
Assessment/Outreach	Families	Individuals	Persons w/ Special Needs		
	M	M	M	420,000	
Emergency Shelter	Families	Individuals	Persons w/ Special Needs		
	M	M	M	420,000	
Transitional Housing	Families	Individuals	Persons w/ Special Needs		
	M	M	M	420,000	
Permanent Supportive Housing	Families	Individuals	Persons w/ Special Needs		
	M	M	M	420,000	
Permanent Housing	Families	Individuals	Persons w/ Special Needs		
	M	M	M	420,000	
TOTAL PRIORITY HOMELESS NEEDS	M	M	M	$2,099,000	$273,000

CPS TABLE C
NON-HOUSING COMMUNITY DEVELOPMENT PRIORITY NEEDS SUMMARY TABLE
STATE OF MONTANA - FISCAL 1998

PRIORITY COMMUNITY DEVELOPMENT NEEDS	Priority Need Level High, Medium, Low, No such need	ESTIMATED DOLLARS NEEDED TO ADDRESS	ANTICIPATED DOLLARS AVAILABLE TO ADDRESS
PUBLIC FACILITY NEEDS	M		
INFRASTRUCTURE IMPROVEMENT	H		
Solid Waste Disposal Improvements	H		
Waste Water Needs	H	$209,000,000	
Water System Improvements	H		
Other Infrastructure	M		
PUBLIC SERVICE NEEDS	M		
PLANNING	M		
OTHER COMMUNITY DEVELOPMENT NEEDS	M		
Lead Based Paint/Hazards	M		
ECONOMIC DEVELOPMENT NEEDS	H	$520,000,000	
TOTAL PRIORITY NON-HOUSING COMMUNITY DEVELOPMENT NEEDS	M	$729,000,000	$5,390,330

CONTINUUM OF CARE

The possibility of addressing homelessness on a more comprehensive scale than had previously been attempted led the Department of Public Health and Human Services to look at HUD's Continuum of Care NOFA carefully. After discussions with a number of interested people, DPHHS extended assistance to the state's Human Resource Development Councils (HRDCS) to work with communities in either establishing or maintaining local continuum of care coordinating councils or networks. Eight of the state's 10 HRDCs participated. This extensive process resulted in three applications being submitted for funding. Next year, we hope to build upon this effort and have several more projects ready. The three applications were two Supportive Housing Projects (one in Billings and one in Helena) and a Shelter Plus Care application for Helena. Total funding requested is $709,482.